AKBIDS

BUSINESS IMPROVEMENT DISTRICTS
OF AUCKLAND

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Submission to Auckland Council Annual Budget 2019/2020, Waterfront Property Transfers and related annual budget policy documents

Introduction

AKBIDS – the Business Improvement Districts of Auckland - is a collective of BIDs that come together to give feedback when required as 'one voice' at an Auckland regional level[1].

There are currently 48 BIDs in Auckland, representing over 25,000 businesses with a combined capital value estimated at $24 billion. Through the BID programme, Auckland's BIDs work with the Auckland Council to improve the local business environment and grow the regional economy.

Auckland Council is seeking feedback on: (A) the Annual Budget 2019/2020; (B) Waterfront Property Transfers; and (C) the related annual budget policy documents (Rates Remission and Postponement Policy, and Revenue and Financing Policy).

Our feedback is set out below.

Annual Budget 2019/2020

The Annual Budget 2019/2020 sets out the Council's priorities and how you will pay for them. You are seeking feedback on:

(1) Changes to Rates and Fees; and
(2) Other Issues.[2]

[1] New Lynn BID requested not to be included in this submission.
[2] With regard to Local Priorities, each BID will be responding as necessary to its own local board about their priorities. As for the amendments to the Rates Remission and Postponement Policy and Revenue and Financing Policy, please treat our feedback below as also being feedback on the amendments to those Policies.

(1) Changes to Rates and Fees

Your Consultation Document says that Council is proposing a small number of rating and fee changes for 2019/2020. These changes include: a $20.67 increase to the annual waste management charge to cover increased costs; extending the food scraps targeted rate to 2000 properties in the North Shore former trial area to whom the service is available; phasing out the Waitākere rural sewerage service and targeted rate over a two-year period (2019/2020-2020/2021); adjusting the urban rating boundary to apply urban rates to 400 properties in recently urbanised areas (that receive the same services as their adjacent urban neighbours); not charging rates on some parts of the land owned by religious organisations; and an increase to some regulatory fees (such as resource consent, building control and mooring fees) to cover increased costs.

With regard to charging rates on some parts of the land owned by religious organisations, we understand that you will be applying business rates to land used for commercial purposes (including car parks, gyms, cafes, and op shops). We support charging rates on land owned by religious organisations, but which is used for commercial purposes as outlined in the consultation document. We note that this will also result in this land also attracting business improvement district (BID) targeted rates. It may also be the case that these religious organisations will also then be eligible to become BID members and wish to become BID members.

(2) Other Issues

Your Consultation Document asks for feedback on other issues related to the Annual Budget.

<u>General rates increases, business differential and the UAGC</u>

Our overall feedback is that what businesses need most from Council is a reasonable, transparent and stable approach to rates. In that regard, we support the Council being clear about how general rates increases will be made over time. We also appreciate the funding gap for major infrastructure that needs to be funded.

However, we remain concerned about variations within business areas and across the region of rates increases significantly higher than the average business rate increase of 2.32%.

While we appreciate that the business differential is being reduced in line with that proposed in the Long Term Plan 2018/28, fundamentally, we do not accept the view that a business differential should be applied to rates especially for reasons that "businesses are better able to manage additional costs than residential properties" or because "businesses can claim back GST and expense rates against tax."[3] These reasons do not justify the business differential, particularly for small businesses who make up most businesses in Auckland. The Shand Report on *Funding Local Government* recommended against rating differentials. Auckland businesses pay 2.73 times more rates than other ratepayers, or around $150 million more. By comparison, Tauranga City Council has no business rates differential at all.

We support the UAGC only increasing by 2.5%, in line with the increase in general rates.

<u>Cleaning up our harbours, beaches and streams</u>

We agree that Auckland must improve infrastructure to save our harbours, beaches and streams from being polluted by overflows from ageing sewerage and stormwater systems. Inaction will cause reputational damage to the city.

While we are supportive of transparently 'ring fencing' spending on this kind of infrastructure, we do not accept that a business differential (even at 25.8%) should be applied to this targeted rate. We accept that business should pay a share, but not a differential.

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[3] As set out in Section 7.4 'Natural environment initiatives and funding' of the Additional supporting information to the Long Term Plan. For example, if income for a small business is relatively flat, but there is a significant rates increase, the extra rates expense will impact negatively on the profitability of the business and may even force the business to run at a loss.

We also have concerns that Council is embarking on a new strategy for water, 'Our Water Future' without being clear about how that will impact on rates or especially the current water quality targeted rate. The 'Our Water Future' document barely mentions funding, but where it does, it says that the $452 million raised through the water quality targeted rate "is only part of the solution: there is still more to be done."

As noted above, our overall feedback is that what businesses need most from Council is a reasonable, transparent and stable approach to rates. We are concerned with the potential impact of 'Our Water Future' on the water quality targeted rate if that rate is only part of the solution, with more still to be done.

Protecting our Endangered Species

We agree overall that Auckland must reverse the decline of biodiversity in the region, stop kauri dieback and address the spread of pests, weeds and diseases.

However, we note that these matters are not 'core services' under the Local Government Act 2002, but more properly the responsibility of central Government or taxpayers. Auckland Council should seek increased funding from central Government because all New Zealand benefits from increased tourism and our international clean green branding. Auckland ratepayers should not be the first direct source of funding for projects which have a wider benefit than just the Auckland region.

While we are supportive of transparently 'ring fencing' spending on this kind of infrastructure, we do not accept that a business differential (even at 25.8%) should be applied to this targeted rate. We accept that business should pay a share, but not a differential.

Savings and efficiencies

We believe there are more savings available to the Council. We would like the Council to focus more on efficiencies, savings and less on looking to introduce new revenue sources that will increase rates for business. We believe significant savings can be made by reducing silos and improving efficiencies across the Council and CCOs. We welcome the s17A Reviews being undertaken by the Mayor as a means of establishing 'value for money'.

In terms of greater transparency, we would appreciate being told of the progress being made towards achieving these savings and the reduction in budgets as initiatives are delivered. For example, what savings have been delivered by centralising Watercare's Treasury function within Auckland Council and the disestablishment of Auckland Council Investments Limited and where have those savings now been spent?

Rating accommodation providers

We have been told by accommodation providers both locally and regionally that they do not accept that they should fund ATEED's tourism promotion and event costs from the accommodation providers targeted rate. We still do not support this intervention and our preference is for the Government to introduce a levy on international visitors to fund tourism projects.

For some accommodation providers, the current accommodation providers targeted rate has resulted in a rates increase of 250 per cent or more and for many, a doubling of already significant rates. Some providers have benefitted from exemptions while others have not. This contradicts the Council's view that there should be rates stability.

Accommodation providers have also advised us that it is unfair to shift the rates burden to them when only around 10% of the total visitor spend is on commercial accommodation.

Regional Fuel Tax

We agree that congestion (and the pollution it creates) is getting worse, safety is declining and businesses are finding it challenging to move freight and people. We also agree that we are not going to address this problem simply by building more roads. Demand management of our existing network has to be a key solution, especially creating priority for freight and delivery movements.

However, we do recognise the need to raise more funding for transport projects and services.

Our preference is to introduce initiatives that both manage demand and raise funding equitably as soon as possible, balanced with investment into affordable and more frequent public transport in order to effect sustainable behavioural change.[4]

In the interim, while we have supported a regional fuel tax of 10 cents per litre (plus GST), we ask for greater transparency regarding the spending of this tax on specific transport projects and services. We wish to avoid the regional fuel tax, which is the equivalent of a significant rates increase (especially for transport operators), being used as a 'top up' for overall transport budgets.

Finally, we note that a regional fuel tax of 10 cents per litre is only a small step towards addressing the funding gap the Auckland Transport Alignment Project (ATAP) identified at $5.9 billion. We request Auckland Council and the Government commit to urgently delivering fair and equitable solutions to fund this gap not only in order to ensure that Auckland's transport system does not grind to a halt, but to enable the continued growth and vitality of New Zealand's largest city.

Waterfront Property Transfers

Your Consultation Document says that Panuku is Auckland Council's urban development agency and currently owns and manages about $790 million of city centre waterfront properties. The Annual Budget proposal is to transfer the legal ownership of those properties to Auckland Council. Panuku would continue to manage the properties. Your Consultation Document says that the resulting ownership structure would reduce governance duplication, increase consistency with other development areas and maximise future flexibility. The city centre waterfront properties are strategic assets so Council wants to know what we think of the proposal.

We support the proposal.

[4] One concern we have with the regional fuel tax is that some people who use the Auckland motorway system (e.g. driving into Auckland from the regions or driving through Auckland), purchase fuel outside Auckland and avoid the tax.